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*Pending Application to Employ

IN THE BANKRUPTCY COURT OF THE UNITED STATES
FOR THE DISTRICT OF OREGON

In re:

Turning Leaf Homes IV, LLC

Debtors-in-possession.

Case No. 17-30353-tmb11

DEBTOR STATEMENT IN
ADVANCE OF CASE STATUS
CONFERENCE

In anticipation of topics of interest to the Court to be discussed at the Case Status Conference scheduled by the Court for March 7, 2017 the Debtor-in-possession provides the following information:

Leases

Debtor-in-possession possesses one executory contract with the tenants residing in the 17538 Kimmel Ct., Beaverton, OR Property. That rental contract is set to expire on April 30, 2017 and is currently at \$2,200 monthly for rent. Debtor will assume that contract. All 3 of its other occupied rentals are currently in month to month tenancies. Debtor is currently working on a lease for 16530 NE Hillsboro Hwy, Newberg, OR and expects to have that property rented shortly.

Motions for Relief from Stay

Creditor EWCO LTH FUND, LLC filed a Motion for Relief from Stay on the property located at 8025 SW Scholls Ferry Road Beaverton, OR 97008 (the 'Scholls Property') on February 21, 2017. See E-Doc# 22. Debtor's Counsel has entered into communications with Creditor's Counsel, Robert Phed, regarding establishing adequate protection payments while the Debtor utilizes the Bankruptcy to Redeem the Scholls Property. The parties had not reached any agreement as of the time of the filing of this Memorandum. The Scholls Property is not currently rented and no funds are being received for rent. The Debtor is utilizing one of the units in the Scholls Property to store repair and refurbishment equipment that it is utilizing to revitalize and repair its properties, including the Scholls Property. No eviction actions by Creditor were in process or completed prior to the filing of this case. The Debtor will respond to the Motion for Relief prior to the deadline.

Prepetition Taxes

Debtor was created in 2016 and undertook no business activities during that calendar year. The Debtor does not believe it is required to file taxes for 2016 as a result. However, Debtor is in the process of employing an accountant to assess whether a return needs to be filed for compliance purposes, despite the lack of activity.

Adequate Protection

One of the residential rental properties owned by Debtor has an assignment of rent provision. That property is 9995 SW Denney Rd, Beaverton, Or 97008 ("Denney Property") which currently generates \$1,000 monthly. The Debtor will not use the rental funds from the

Denney Property without first requesting authorization for use of Cash Collateral from this Court pursuant to the Code. Currently, Debtor believes that it will not need the monthly rent from the Denney Property prior to confirmation of the case and curing of the Note delinquency.

Debtor is currently using all secured collateral, which consists of nine parcels of real property as described below. All assets are currently insured against loss, insurance premiums are current, the relevant lenders are listed as loss payee, and the United States Trustee has been added as an interested party to receive notices if insurance were to lapse. These assets include:

A) Real property located at 5631 SE Belmont St that will serve as a rental for Debtor-in-possession's business upon renovation. Debtor is a 50% owner of the property. Bank of New York Mellon holds a note with an approximate balance of \$802,000 secured to the property by a first position deed of trust. The real property has an estimated value of \$300,000. Debtor-in-possession anticipates immediate commencement of plan treatment negotiations with Bank of New York Mellon regarding this claim. There are also 2 other junior lienholders attached to the property in the following priority and amounts: i) Bank of New York Mellon - \$128,000, ii) State of Oregon - \$6518. All of these junior lienholders are fully unsecured and the liens are non-recourse. The property is also subject to City of Portland Statutory nuisance liens as a super priority in the approximate amount of \$85,000. Debtor is actively working with the City of Portland to abate the nuisance.

B) Real property located at 16530 NE Hillsboro Hwy that will serve as a rental for Debtor-in-possession's business upon redemption and cure. This property was sold at Sheriff sale on 12/20/16. Prior to the sale, US Bank, N.A. held a note with an approximate balance of \$450,000 secured to the property by a first position deed

of trust. The real property has an estimated value of \$375,000. Debtor-in-possession anticipates immediate commencement of plan treatment negotiations with US Bank, N.A. regarding this claim. The Oregon Department of Justice also held a non-recourse Judgment Lien attached to the property in junior position in the approximate amount of \$2,500. This lien is fully unsecured.

C) Real property located at 17358 SW Kimmel Ct in Beaverton Oregon that serves as a rental for Debtor-in-possession's business. Wells Fargo Bank N.A. holds a note with an approximate balance of \$376,023 secured to the property by a first position deed of trust. The real property has an estimated value of \$355,000. Debtor-in-possession anticipates immediate commencement of plan treatment negotiations with Wells Fargo Bank, N.A. regarding this claim. There is currently also a non-recourse junior lien attached to the property in favor of PNC Bank in the approximate amount of \$99,750. This lien is wholly unsecured.

D) Real property located at 486 Nutcracker Dr. in Redmond, OR Oregon that will serve as a rental for Debtor-in-possession's business upon redemption and cure. This property was sold at Sheriff sale on 11/16/16. Prior to the sale, US Bank, N.A. held a note with an approximate balance of \$413,500 secured to the property by a first position deed of trust. The real property has an estimated value of \$325,000. Debtor-in-possession anticipates immediate commencement of plan treatment negotiations with US Bank, N.A. regarding this claim. The Ridge at Eagle Crest Owners Association may also hold a Statutory Lien attached to the property in junior position.

E) Real property located at 7582 Burlington Ave in Portland Oregon that serves as a rental for Debtor-in-possession's business. Wells Fargo Bank N.A. holds

a note with an approximate balance of \$396,209.36 secured to the property by a first position deed of trust. The real property has an estimated value of \$275,000. Debtor-in-possession anticipates immediate commencement of plan treatment negotiations with Wells Fargo Bank, N.A. regarding this claim. There are also currently 5 fully unsecured non-recourse junior liens attached to the property: i) Ditech Financial, LLC holds a deed of trust in the approximate amount of \$54,648; ii) The Matthew Frank Condominium Association holds a statutory lien in the amount of \$7,678; iii) Midland Funding holds a judgment lien in the approximate amount of \$4,675; iv) Citibank holds a judgment lien in the approximate amount of \$9.043; and v) the State of Oregon holds a State Tax Lien in the approximate amount of \$3,763.

F) Real property located at 8025 SW Scholls Ferry Rd. in Beaverton Oregon that will serve as a rental for Debtor-in-possession's business upon redemption and cure. This property was sold at Sheriff sale on 12/19/16. Prior to the sale, Bank of New York Mellon held a note with an approximate balance of \$303,741 secured to the property by a first position deed of trust. The real property has an estimated value of \$275,000. Debtor-in-possession anticipates immediate commencement of plan treatment negotiations with Bank of New York Mellon regarding this claim. Debtor has already begun discussions with the sheriff sale purchaser, EWCP LTH FUND, LLC, through its counsel Robert Phed. There was also a non-recourse second position deed of trust that was attached to the property in favor of Ocwen Loan Servicing, LLC in the approximate amount of \$72,500.

G) Real property located at 9995 SW Denney Rd. in Beaverton Oregon that serves as a rental for Debtor-in-possession's business. US Bank, N.A. holds a note

with an approximate balance of \$345,000 secured to the property by a first position deed of trust. The real property has an estimated value of \$315,000. Debtor-in-possession anticipates immediate commencement of plan treatment negotiations with US Bank, N.A. regarding this claim. There is also a fully unsecured non-recourse junior deed of trust attached to the property in favor of Ditech Financial, LLC in the approximate amount of \$125,000.

H) Real property located at 12761 SW 133rd Ave. in Tigard Oregon that will serve as a rental for Debtor-in-possession's business upon redemption and cure. This property was sold at Sheriff sale on 10/26/16 to Nathan Pauly. Prior to the sale, the Federal National Mortgage Association held a note with an approximate balance of \$219,515 secured to the property by a first position deed of trust. The real property has an estimated value of \$300,000. Debtor-in-possession anticipates immediate commencement of plan treatment negotiations with Federal National Mortgage Association regarding this claim. There was also a non-recourse second position deed of trust that was attached to the property in favor of Flagstar Bank in the approximate amount of \$102,730.

I) Real property located at 4644 Melody Ln in Roseburg, Oregon that serves as a rental for Debtor-in-possession's business. Suntrust Mortgage, Inc. holds a note with an approximate balance of \$274,688 secured to the property by a first position deed of trust. The real property has an estimated value of \$240,000. Debtor-in-possession anticipates immediate commencement of plan treatment negotiations with Suntrust Mortgage regarding this claim. There is also a fully unsecured non-recourse junior deed of trust attached to the property in favor of Philip Congdon in the

approximate amount of \$20,000.

Debtor anticipates entering into Adequate Protection payments with the secured rental home lenders at the *Till* rate. Debtor believes the secured lenders' loans are not at greater risk because the loans are already highly undersecured and the property market attendant to these properties is currently on the increase. In addition, the properties are actively insured against loss and will be maintained on a regular ongoing basis by the Debtor.

Operation of Debtors' Business

Debtor-in-possession is an Oregon Limited Liability Company that operates as a residential rental business and agent for home renovation and resale. 3 of the 4 currently rented rental properties are month to month tenancies and one is a term tenancy that ends in 2 months. Debtor-in-possession provides end to end management of the rentals before, during and after occupancy. Debtor-in-possession will then utilize subcontractors to improve buildings and list them for sale after renovation. Debtor-in-possession projects steady cash flow from these sources. Due to the intractable positions of the Secured Lenders, Debtor has deferred most non-emergency maintenance on the homes, and with this reorganization it will have incentive to repair and enhance the properties for greater rental cash flow after Plan confirmation. In addition it will resume making newly amortized payments to the secured claimants, and ultimately sell the properties. The Debtor was established in February of 2016 and does not have three years of historical data and just recently acquired the 9 properties listed above.

Debtor-in-possession does not anticipate the case filing will have a negative impact on any business operations. In support, Debtor includes with this statement a) Weekly 120 day Cash Flow Statement as Exhibit A and b) Statement of Income and Expenses since the date of filing as Exhibit B.

Chapter 11 Plan Preview

Debtor-in-possession anticipates a consensual workout plan to provide for restructured payments and loan terms to those creditors secured by real property. Debtor anticipates paying a dividend to unsecured creditors in an amount not less than the best interest test amount or funding required pursuant to the absolute priority rule. Debtor-in-possession will retain ownership of all assets that are not otherwise sold or surrendered. Debtor-in-possession does not intend to request to shorten or extend the exclusive period for filing the Disclosure Statement and Plan. Debtor-in-possession estimates the total administrative expenses at between approximately \$30,000 and \$40,000 and Debtor estimates those professional fees will be incurred in the following months and amounts: February – \$4000, March – \$3000, April – \$4000, May - \$4000, June - \$5000, July - \$4000, August - \$2000, September - \$3000, October - \$3000.

Debtor will also shortly file an application to employ an accountant to help Debtor prepare statutory reports and complete their tax return filing duties. Pursuant to negotiations with the United States Trustee, Debtor's CPA will agree to a fee cap of \$2,500. If Debtor's CPA requires additional fees, Debtor will seek further court authority at that time.

Feasibility

Debtor-in-possession believes that a reasonable likelihood of a successful Chapter 11 workout exists. Debtor-in-possession has functioning and profitable rentals which will generate positive cash flows into the future once the loans are restructured. Debtor also has the makings of several other profitable rental homes that it can return to operation quickly once the risk of immediate loss is curtailed. Debtor anticipates that it will receive a large cash infusion from its Affiliates or it will obtain post-petition financing, with proper court approval, to perform any Plan obligations not funded by the rental cash flow. With modifications to secured debt terms,

the reorganized Debtor-in-possession will provide greater value to secured creditors through retention and payment of debt than these creditors stand to gain through a liquidation of their collateral in its current condition. The unsecured creditors will receive more than they would receive in a chapter 7 liquidation or in a Trustee or Sheriff sale pursuant to Oregon State law.

Application for Employment of Professionals

Debtor-in-possession filed a First Amended Application for Employment of counsel on February 20, 2017 which is pending before the Court. A Proposed Order was circulated to the United States Trustee. On February 27th the United States Trustee requested that Debtor's Counsel include additional information on the verified statement regarding the exact amount of pre-petition work completed and outline additional companies owned by Debtor's affiliate Tracey Baron. Debtor anticipates an update of these items prior to the status hearing. Debtor-in-possession does not anticipate applications for interim fees to their professionals pre-confirmation.

DATED this 28th Day of February, 2017.

Respectfully Submitted:

/s/ Theodore J. Piteo
Michael D. O'Brien, OSB# 951056
Theodore J. Piteo, OSB# 090311
Of Attorneys for Debtor-in-Possession

CERTIFICATE OF SERVICE

I hereby certify that on February 28, 2017, I served the foregoing **Statement in Advance of Case Management Conference** on the following parties by mailing to each at the address below in a sealed envelope, with postage prepaid, and deposited in the United States Post Office:

NONE

Via Email Delivery:

Turning Leaf Homes IV, LLC, Debtor

I further certify that the following person(s) will be served electronically when the foregoing document is filed with the court:

THEODORE J PITEO enc@orbankruptcy.com

US Trustee, Portland USTPRegion18.PL.ECF@usdoj.gov

JESSE A BAKER on behalf of Creditor Wells Fargo Bank, N.A.
ecforb@aldridgepite.com, JPB@ecf.inforuptcy.com; jbaker@aldridgepite.com

ROBERT S PHED on behalf of Creditor EWCP LTH Fund, LLC
robert.phed@yahoo.com

/s/Theodore J Piteo
Michael D. O'Brien & Associates, P.C.
Michael D. O'Brien, OSB #95105
Theodore J. Piteo, OSB #090311
Of Attorneys for Debtors

Cash Flow - 120 Day - Weekly Budget
Turning Leaf Homes IV, LLC

EXHIBIT A

	Weekly	Monthly	4 Month		
Business (Gross)~	\$2,037.50	\$8,150.00	\$32,600.00	Total Income (4 Months):	\$32,600.00
Expenses(Business):					
Proposed Adequate					
Protection	Paid Monthly	\$1,500.00	\$6,000.00		
Owner Draw	\$0.00	\$0.00	\$0.00		
Insurance	Paid Monthly	\$1,400.00	\$5,600.00		
Auto Fuel	\$0.00	\$0.00	\$0.00		
	Budgeted Monthly				
	for any arising				
Maintainence/Supplies	expenses	\$500.00	\$2,000.00		
Utilities*	Paid Monthly	\$800.00	\$3,200.00		
HOA Dues**	Paid Monthly	\$372.58	\$1,490.32		
				Total Expenses (4 Months)	\$18,290.32
				Total 120 Day Net Cash Flow:	\$14,309.68

~ Debtor will actively be renting out currently vacant homes and this amount will increase

* Currently paid by Tenants in all but one occupied home

Debtor will pay currently active utilities in vacant houses (water/sewer/heat)

Hoa Dues:

Nutcracker - \$97.58

monthly

Burlington - \$275/month

Exhibit B to Debtor Case Status Management Statement

Date of Filing 2/7/2017

Income Since Date of Filing:

Rents	\$0
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Fees/Penalties from Rentals	\$0
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Expenses since Date of Filing (Paid):

Insurance(February):	\$1,411
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Insurance Deposit(refundable):	\$500
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Expenses since Date of Filing (Unpaid):

None

February Rents Received:	\$0
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March Rents Received:	Not yet Due
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